

MA ECONOMICS  
SECOND SEMESTER [REPEAT]  
MACRO ECONOMIC ANALYSIS-II  
MEC – 202

**SET  
A**

[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs.

Full Marks: 70

Time: 30 mins.

Marks: 20

**(Objective)**

*Choose the correct answer from the following:*

*1 × 20 = 20*

1. In the IS-LM model, the IS curve represents equilibrium in which market?
  - a. Money market
  - b. Foreign exchange market
  - c. Goods market
  - d. Labour market
2. A rightward shift of the IS curve is caused by:
  - a. A decrease in government spending
  - b. An increase in interest rates
  - c. An increase in taxes
  - d. An increase in investment or government spending
3. What happens to the LM curve if the money supply increases?
  - a. It shifts to the right
  - b. It shifts to the left
  - c. It becomes steeper
  - d. It becomes flatter
4. In the IS-LM model, what does the intersection of the IS and LM curves determine?
  - a. Only the interest rate
  - b. Only the level of output
  - c. The inflation rate
  - d. Equilibrium interest rate and output level
5. Which of the following best describes inflation?
  - a. A decrease in the general price level
  - b. An increase in the value of money
  - c. An increase in the general price level
  - d. A decline in economic activity
6. What is the natural rate of unemployment?
  - a. 0% unemployment
  - b. The unemployment rate when the economy is in recession
  - c. The unemployment rate due to cyclical factors
  - d. The unemployment rate when the economy is at full employment
7. What causes demand-pull inflation?
  - a. Increase in production costs
  - b. Increase in government regulations
  - c. Too much demand chasing too few goods
  - d. Decrease in consumer spending
8. Who is responsible for controlling the money supply in most countries?
  - a. Ministry of Finance
  - b. Commercial banks
  - c. Central Bank
  - d. Stock exchange

9. Cost-push inflation is caused by:
  - a. Increased consumer demand
  - b. A rise in production costs
  - c. A decrease in the money supply
  - d. An increase in savings
10. Frictional unemployment refers to:
  - a. Unemployment during a recession
  - b. Unemployment due to technological changes
  - c. Short-term unemployment as people change jobs
  - d. Long-term joblessness
11. Which of the following policies can help reduce inflation?
  - a. Reducing the money supply
  - b. Increasing government spending
  - c. Cutting interest rates
  - d. Decreasing taxes
12. In Friedman's restated Quantity Theory, which of the following best explains the role of money?
  - a. Money is neutral in the long run and does not affect nominal variables
  - b. Changes in the money supply have no long-term effects on prices
  - c. Money supply growth is the primary cause of inflation
  - d. Money has no effect on output even in the short run
13. What does the Phillips Curve illustrate?
  - a. The relationship between inflation and interest rates
  - b. The relationship between inflation and unemployment
  - c. The relationship between GDP and unemployment
  - d. The relationship between inflation and government spending
14. Which economist argued that the Phillips Curve does not hold in the long run?
  - a. John Maynard Keynes
  - b. A.W. Phillips
  - c. Milton Friedman
  - d. Paul Samuelson
15. What are the main phases of the business cycle?
  - a. Inflation, deflation, recession, recovery
  - b. Peak, recession, trough, expansion
  - c. Boom, depression, equilibrium, inflation
  - d. Growth, stagnation, crisis, boom
16. What typically happens to unemployment during a recession?
  - a. It decreases
  - b. It stays the same
  - c. It increases
  - d. It fluctuates randomly
17. Which phase of the business cycle is characterized by high consumer confidence and rising GDP?
  - a. Trough
  - b. Recession
  - c. Expansion
  - d. Contraction
18. What is a "trough" in the business cycle?
  - a. The point where inflation is highest
  - b. The lowest point of economic activity before recovery
  - c. The beginning of a recession
  - d. A prolonged period of economic boom



19. What does the Balance of Payments (BoP) record?
- a. Only the exports and imports of goods
  - b. All financial transactions within a country
  - c. All economic transactions between a country and the rest of the world
  - d. Only capital inflows and outflows
20. Which of the following would be recorded as a credit in a country's BoP?
- a. Import of machinery
  - b. Payment of interest to foreign investors
  - c. A foreign company investing in the domestic economy
  - d. A domestic company buying shares in a foreign company
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**( Descriptive )**

Time : 2 Hr. 30 Mins.

Marks : 50

[ Answer question no.1 & any four (4) from the rest ]

1. Discuss general equilibrium of product and money market with IS-LM curve. 10
2. a) Explain diagrammatically money market equilibrium with LM curve. 5+5=10  
b) Elaborate shift in IS curve.
3. a) Elaborate Baumol's Inventory Theoretic approach. 5+5=10  
b) Explain Tobin's portfolio selection model.
4. a) Explain Patinkin's real balance effect. 5+5=10  
b) Elaborate Philips curve.
5. a) What is demand-pull inflation? Explain. 2+3+5=10  
b) What are the measures are to control inflation?
6. a) Explain different phases of business cycle. 5+5=10  
b) Discuss Schumpeter's innovation theory.
7. a) Elaborate Samuelson's model of business cycle. 5+5=10  
b) Discuss Hicksian theory of business cycle.
8. a) What are the components of BoP? 5+5=10  
b) What are the causes of unfavorable BoP?

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